

# CITY OF LAS VEGAS

## INVESTMENT REPORT

### SECOND QUARTER FY2014



DECEMBER 31, 2013



## **INVESTMENT STRATEGY**

The City's three principal objectives in managing the investments are to provide safety, to ensure liquidity, and to generate a market rate of return on the investments. Using cash flow projections to match assets with liabilities ensures prudent investment principles, which will enable the City to soundly meet its financial obligations.

The City's Investment Pool has been segregated into four separate investment portfolios. Of the portfolios, approximately 25% is managed internally by the Treasurer's office, 60% is being managed by external investment managers and 15% is invested in the state pool. The internally managed funds are used for current operations and primarily invest in the short-term segment of the market—overnight to one year. The external investment managers target the longer-term segment—one year to five years.

**Investment Pool — Cash Management Fund:** This portfolio is managed internally by the Treasurer's office and targets maturities from overnight to 1 year. The primary focus of this portfolio is to provide the day-to-day liquidity to meet the operating needs of the City. The majority of investments are purchased and held to maturity. The most frequently used investment types are money market funds, commercial papers and federal agency notes. The benchmark used to monitor the performance of this portfolio is customized index which approximates the averaged weighted maturity of the portfolio.

**Investment Pool — Non-Operating Funds:** Two external managers, Mellon and Wells Capital Management each manage \$140 million of the Investment Pool. The external managers target maturities from 1 year to 5 years and are limited to using only U.S. Treasury securities, federal agency notes, corporate notes and money market funds. The portfolios were funded on October 4, 2005 and the performances are benchmarked against the Merrill Lynch 1-5 Year Treasury and Agency Index.

**Investment Pool — Nevada Enhanced Savings Term (NVEST):** The NVEST portfolio is managed externally by StableRiver Capital Management and overseen by the Nevada state treasurer's office. The investments are primarily A-rated collateralized mortgage obligations and AAA-rated asset backed securities. The performance of this portfolio is benchmarked against the Merrill Lynch 1-3 Year Treasury.

**Non Investment Pool** — For the non-pooled investments such as bond issue proceeds, including such issues as the Redevelopment Projects and Special Improvement Districts, the City keeps these funds' investment maturities typically less than one year. These funds are invested in short-term securities such as Money Market Funds, Federal Agency Discount Notes. Monies that are required by state statute, city ordinance, and bond covenants to be held separately (i.e. Employee Benefits Fund, Self Insurance Liability, and bond reserves) are not part of the investment pool. Cemetery investments are managed by Carriage Services.

# CITY OF LAS VEGAS

## SECOND QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INVESTMENTS – TOTAL PORTFOLIOS

The following table reflects the par value of the securities for the Investment Pool and the non-pooled portfolios.

FUND	PAR VALUE
<b>Investment Pool Portfolios:</b>	
Cash Management	\$ 22,300,626
NVEST	66,731,212
BNY Mellon	139,653,122
Wells Capital	136,693,039
<b>Total Investment Pool Portfolios</b>	<b>\$ 365,378,000</b>
<b>Non-Investment Pool Portfolios:</b>	
CP/Parks/Facilities	\$ 9,878,515
Cemetery	2,207,798
Darling Foundation	774,376
Debt Service	18,473,292
Developer SIDs	35,618,681
Employee Benefits Fund	3,021,923
Fire Services	8,815,369
4th Street Landscaping	46,670
Fremont Street Experience	1,105,246
Ogden Parking	114,800
Redevelopment Agency	11,074,911
Sanitation	15,472,192
Self Insurance Funds	5,269,472
Special Programs/Car Rtl	2,098,126
<b>Total Non-Investment Pool Portfolios</b>	<b>\$ 113,971,370</b>
<b>Grand Total Portfolios</b>	<b>\$ 479,349,370</b>

# CITY OF LAS VEGAS

## SECOND QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

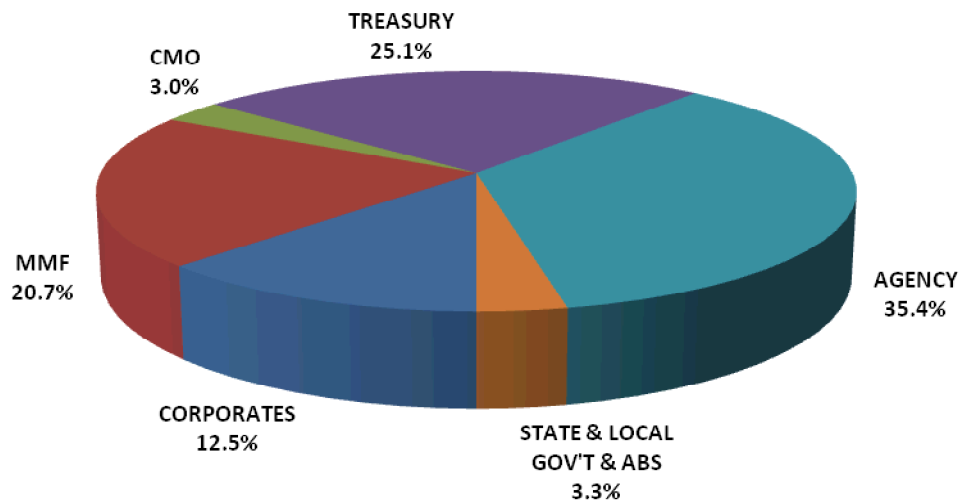
### INVESTMENT TYPES – TOTAL PORTFOLIOS

The following table and chart shows the allowable investments per Nevada Revised Statutes and City Investment Policy.

INVESTMENT TYPE	PAR VALUE	%	MAXIMUM MATURITY	AUTHORIZED LIMIT
U.S. Treasury	\$120,411,046	25.12%	5 Years	No Limit
U.S. Agencies	169,874,015	35.44%	5 Years	No Limit
Corporate Bonds	59,707,720	12.46%	5 Years	20%
Commercial Paper	-	0.00%	270 Days	20%
State and Local Governments	15,472,192	3.23%	N/A	No Limit
Money Market Funds (MMF)	98,990,260	20.65%	N/A	No Limit
Asset-Backed Securities (ABS)	436,687	0.09%	N/A	20%
Collateralized Mortgage	14,457,450	3.02%	NA	20%
Negotiable Cert. of Deposit			N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collateralized Investment Contracts			Match Bond	No Limit
LGIP			N/A	No Limit
<b>Total Portfolios</b>	<b>\$479,349,370</b>	<b>100.00%</b>		

### DISTRIBUTION BY TYPES

AS OF DECEMBER 31, 2013



**CITY OF LAS VEGAS**  
**SECOND QUARTER OF FISCAL YEAR 2014**



**INVESTMENT REVIEW**

**INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS**

ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE
<b>ASSET-BACKED SECURITIES</b>	<b>1</b>	<b>\$ 1,291,363</b>	<b>\$ 1,256,110</b>
Wachovia Bank Comm Mtg	1	\$ 1,291,363	\$ 1,256,110
<b>Collateralized Mortgage Obligations</b>	<b>7</b>	<b>\$ 4,806,035</b>	<b>\$ 4,695,880</b>
Banc of America Comm Mtg	1	\$ 889,859	\$ 881,093
Bear Stearns Comm Mtg	1	\$ 796,733	\$ 770,100
CS First Boston Mtg	2	\$ 1,534,027	\$ 1,500,123
LB-UBS Commercial Mortgage	2	\$ 1,035,651	\$ 1,016,975
Merrill Lynch Mtg Trust	1	\$ 549,766	\$ 527,590
<b>Corporate Bonds</b>	<b>14</b>	<b>\$ 59,707,720</b>	<b>\$ 60,301,918</b>
APPLE INC	1	\$ 5,000,000	\$ 4,963,700
Berkshire Hathaway Inc	2	\$ 10,000,000	\$ 10,230,200
Chevron corp	1	\$ 5,000,000	\$ 4,889,950
General Electric Cap Corp	2	\$ 10,000,000	\$ 10,284,350
Google Ince	1	\$ 5,000,000	\$ 5,018,200
JP Morgan	1	\$ 5,000,000	\$ 5,067,600
Lehman Brothers Holding	1	\$ -	\$ -
Procter & Gamble	2	\$ 10,000,000	\$ 10,093,950
STYX Private Fund LLP Pool ABC	1	\$ 2,207,720	\$ 2,150,493
Wal-Mart Stores	1	\$ 5,000,000	\$ 5,054,150
Yale University	1	\$ 2,500,000	\$ 2,549,325
<b>Money Market Funds</b>	<b>71</b>	<b>\$ 94,344,499</b>	<b>\$ 94,344,499</b>
Blackrock FedFund Portfolio	14	\$ 14,492,675	\$ 14,492,675
CASH SWEEP	1	\$ 6,037,864	\$ 6,037,864
Dreyfus Money Market Fund	14	\$ 21,044,782	\$ 21,044,782
Federated Money Market Fund	9	\$ 19,103,778	\$ 19,103,778
First American Government Obli	14	\$ 4,368,873	\$ 4,368,873
First American Treasury	4	\$ 2,119,500	\$ 2,119,500
INVESCO Private Invest	3	\$ 56,586	\$ 56,586
Regions Tust Money Market Depo	1	\$ 78	\$ 78
Short Term Tres	11	\$ 27,120,363	\$ 27,120,363

**CITY OF LAS VEGAS**  
**SECOND QUARTER OF FISCAL YEAR 2014**



**INVESTMENT REVIEW**

**INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS**

ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE
<b>State and Local Government</b>	<b>1</b>	<b>\$ 15,472,192</b>	<b>\$ 15,472,192</b>
City of Las Vegas Redevelopment	1	\$ 15,472,192	\$ 15,472,192
<b>U.S. Agency</b>	<b>93</b>	<b>\$ 199,494,723</b>	<b>\$ 198,954,050</b>
FDIC Trust	1	\$ 434,512	\$ 430,801
Federal Home Loan Bank	5	\$ 27,522,743	\$ 27,526,291
Federal Home Loan Mortgage Cor	10	\$ 47,000,000	\$ 46,948,190
Federal Home Loan Mtg Corp	14	\$ 7,064,255	\$ 7,013,950
Federal National Mtg Assn	42	\$ 44,374,776	\$ 43,598,068
Federal Nat'l Mortgage Assn	18	\$ 72,200,000	\$ 72,528,845
Govt National Mtg Assn	2	\$ 461,749	\$ 464,265
SBA Admin Pass Through	1	\$ 436,687	\$ 443,640
<b>U.S. Treasury</b>	<b>22</b>	<b>\$ 104,232,839</b>	<b>\$ 105,368,393</b>
U.S. Treasury Note	1	\$ 1,274,228	\$ 1,300,759
United States Treasury	16	\$ 99,027,700	\$ 100,136,722
Wells Fargo Treasury Fund	5	\$ 3,930,911	\$ 3,930,911
<b>Grand Total</b>	<b>209</b>	<b>\$ 479,349,370</b>	<b>\$ 480,393,041</b>

# CITY OF LAS VEGAS

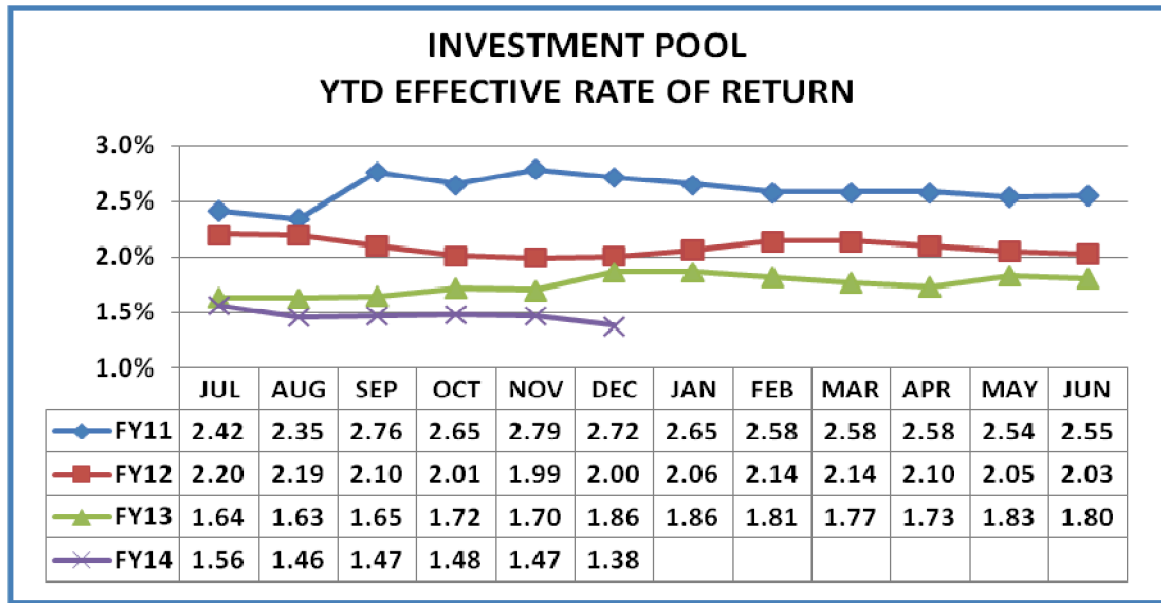
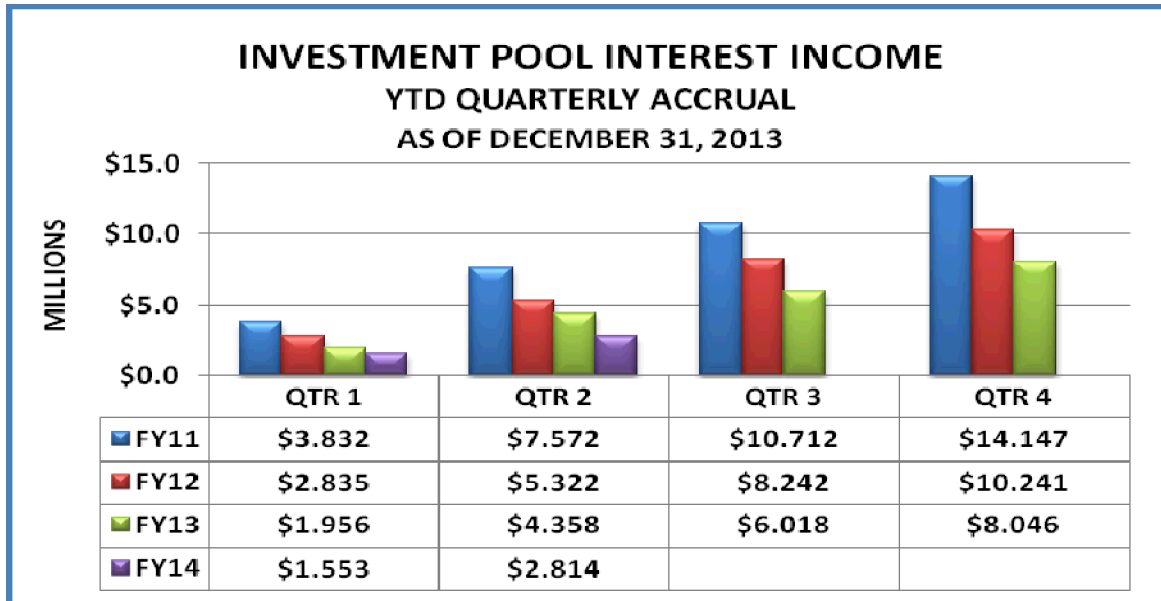
## SECOND QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INTEREST INCOME – INVESTMENT POOL PORTFOLIO

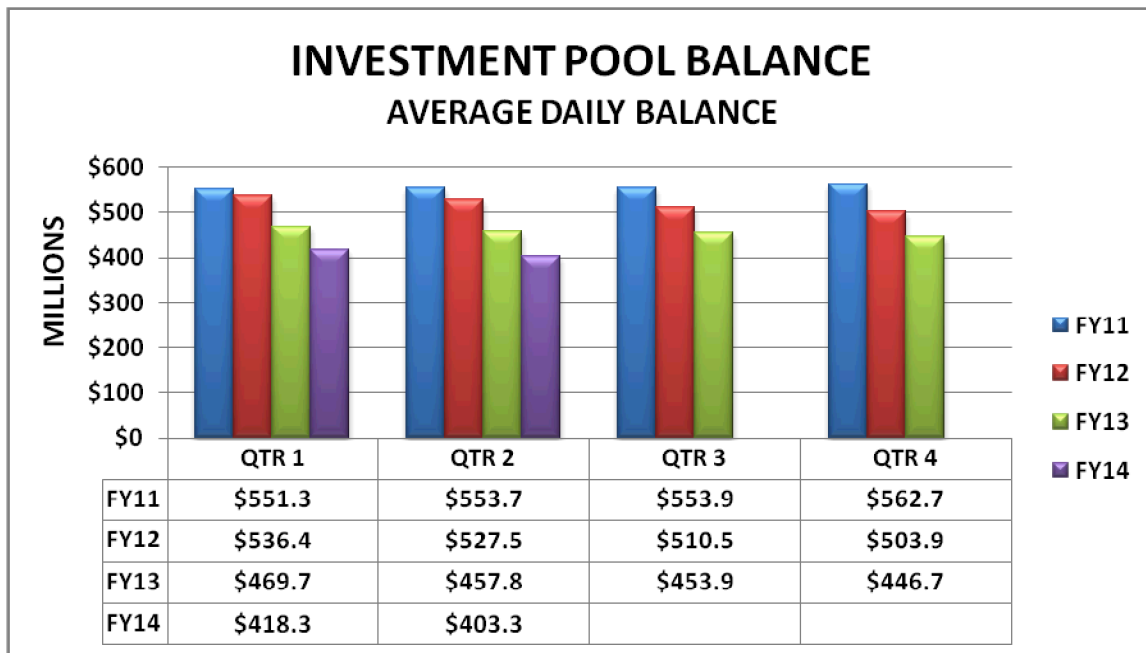
The Investment Pool produced \$2,814, of interest income through the second quarter of fiscal year 2014; this was a decrease of \$1,544,000 compared to the same time period of fiscal year 2013. The City's effective rate of return for the Investment Pool for through the second quarter of fiscal year 2014 was 1.38% compared to 1.86% for the same time period of fiscal year 2013.





**INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO**

The average daily balance of the Investment Pool for the second quarter of fiscal year 2014 decreased by approximately \$15 million compared to the previous quarter. This decrease was due to cash outflows exceeding cash inflows during the quarter.





# CITY OF LAS VEGAS

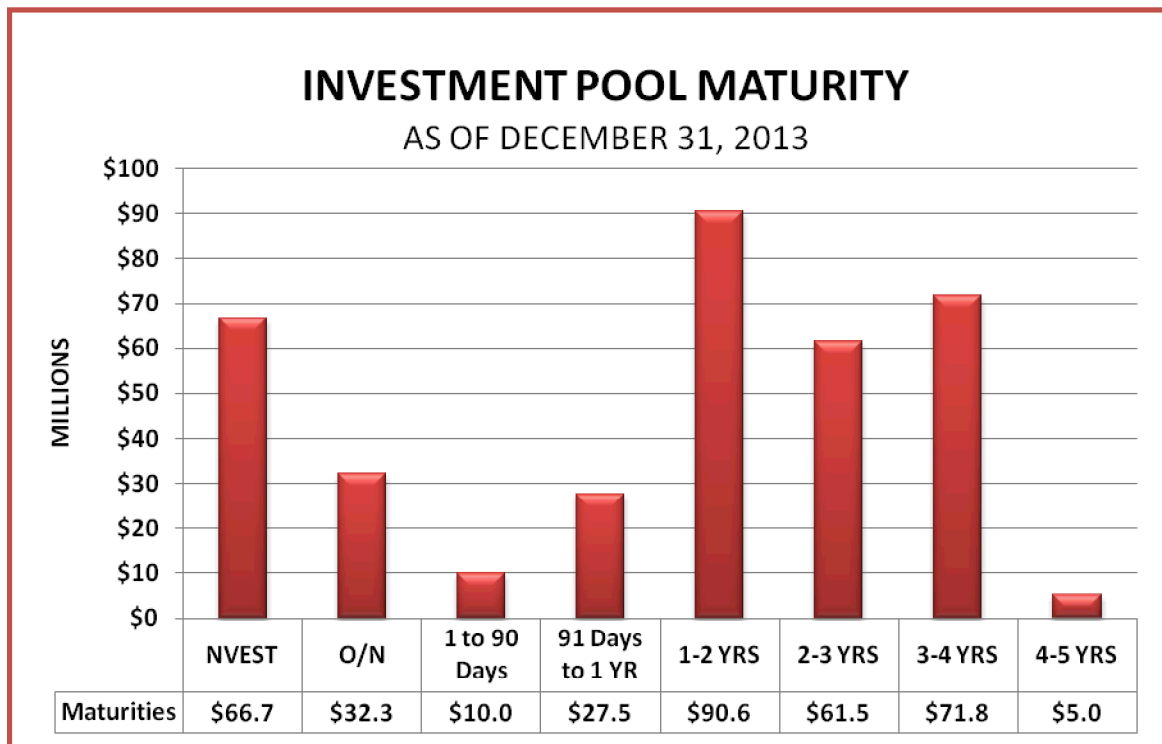
SECOND QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO

The Investment Pool had an overall average weighted maturity of approximately 1.64 years and modified duration of 1.592 years. The Cash Management portfolio and cash in the bank are used to meet the City's cash flow operating needs.



# CITY OF LAS VEGAS

SECOND QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### MARK-TO-MARKET INFORMATION – INVESTMENT POOL PORTFOLIO

The Governmental Accounting Standards Board (GASB) Statement 31 requires governmental entities to report certain investments at “fair” or market value for annual financial reporting purposes. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Treasurer’s Office monitors the market value change on a monthly basis and reports the annual change in the City’s Comprehensive Annual Financial Report.

### INVESTMENT POOL MARK-TO-MARKET FISCAL YEAR 2014 Y-T-D

DESCRIPTION	AMOUNT
Invested Value at December 31, 2013	366,631,942
<b>Add:</b> Proceeds of Investments Matured/Sold in FY14	265,825,550
<b>Less:</b> Cost of Investments Purchased in FY14	(198,506,364)
<b>Less:</b> Amortization Adjustment	(9,046)
<b>Less:</b> Invested Value at June 30, 2013	(434,477,562)
<b>Change in Market Value of Investments</b>	<b>\$ (535,480)</b>

# CITY OF LAS VEGAS

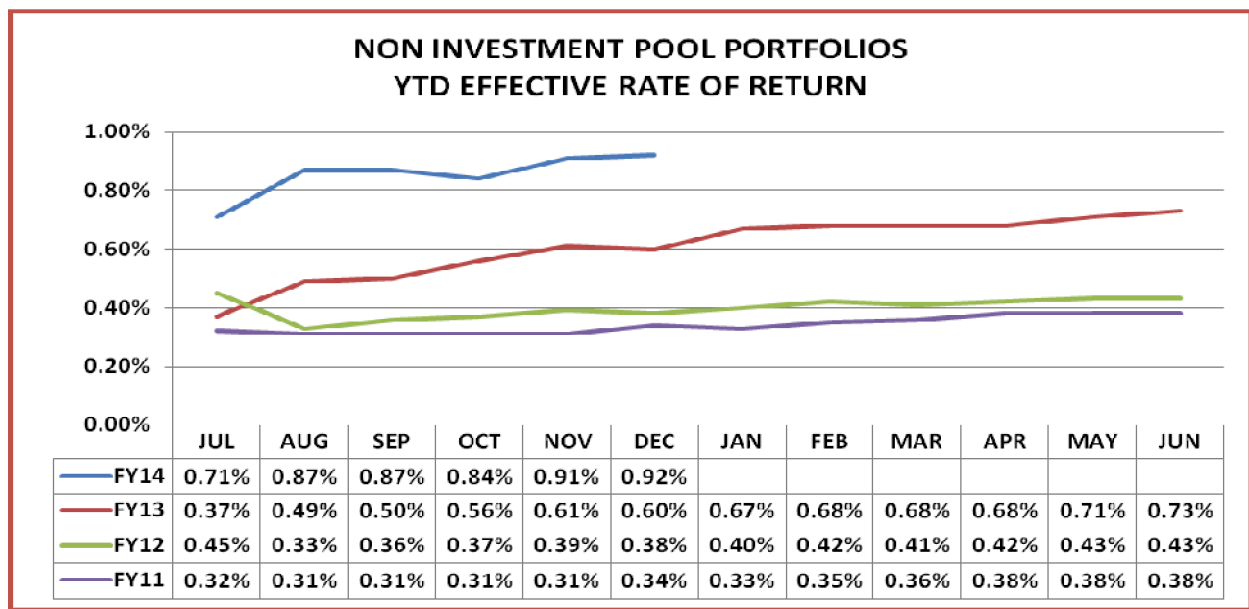
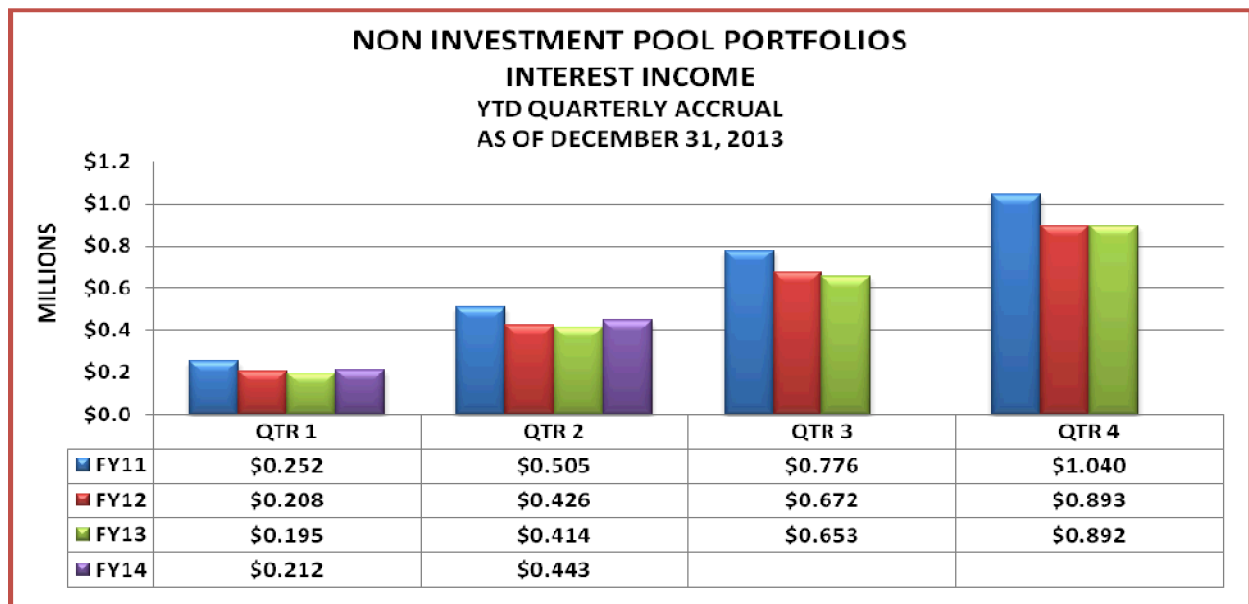
## SECOND QUARTER OF FISCAL YEAR 2014



## INVESTMENT REVIEW

### INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS

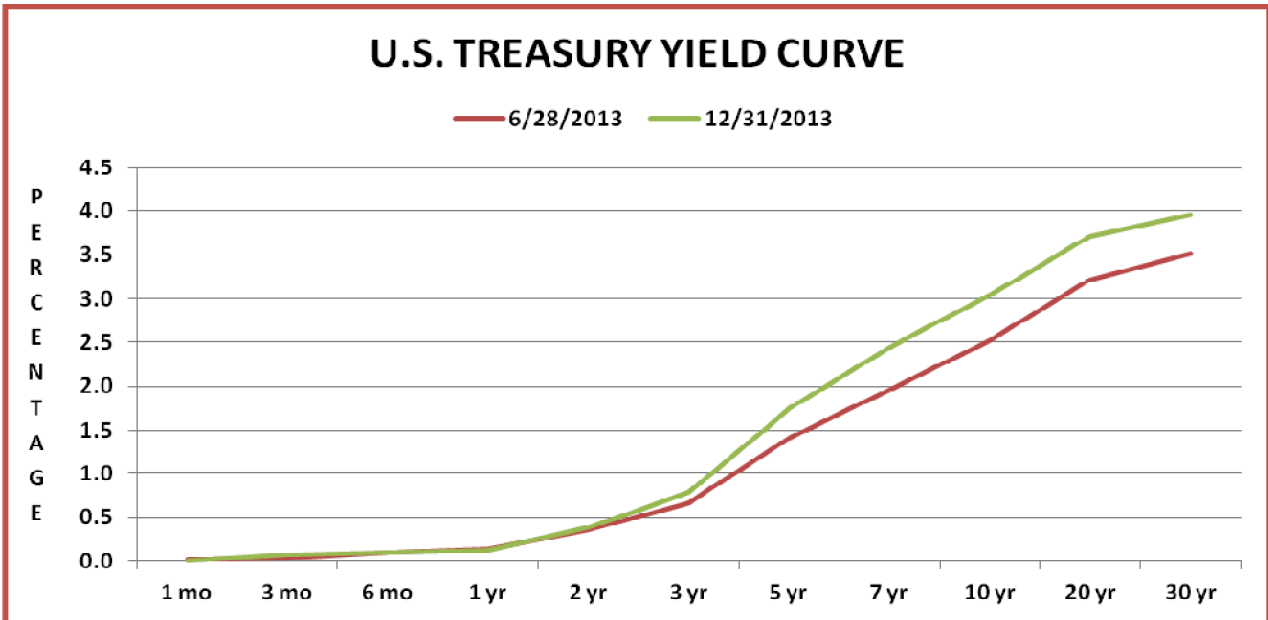
The Non Investment Pool portfolios produced \$443,000 of interest income through the second quarter of fiscal year 2014; this was an increase of \$29,000 compared to the same time period of fiscal year 2013. The effective rate of return for the Non Investment Pool portfolios through the second quarter of fiscal year 2014 was 0.92% compared to 0.60% for the same time period of fiscal year 2013.





**TREASURY YIELD CURVE**

The chart and table below display the changes in the U.S. Treasury securities' yields at various maturities.



U.S. TREASURY YIELD CURVE COMPARISON			
6/30/13 TO 12/31/13			
MATURITY	6/30/13 YIELD	12/31/13 YIELD	CHANGE IN PERCENT
3 Month T-Bill	0.033%	0.068%	0.035
6 Month T-Bill	0.094%	0.089%	(0.005)
2 Year T-Note	0.357%	0.382%	0.025
5 Year T-Note	1.395%	1.743%	0.348
10 Year T-Note	2.487%	3.029%	0.542
30 Year T-Bond	3.500%	3.969%	0.469